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FOR THE RECORD

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CHAIRMAN, STATE BOARD OF EQUALIZATION
MEMBER, FRANCHISE TAX BOARD

Senate Commerce Committee
Communications Subcommittee
Hearing on
The Internet Tax Freedom Act
May 22, 1997

Written Statement of Ernest J. Dronenburg, Jr.

I am writing to make certain that the Committee is aware that, recently, both the Franchise Tax Board and the Board of Equalization voted unanimously to support S. 442 and H.R. 1054, "The Internet Tax Freedom Act." Currently, I serve as the chairman of the Board of Equalization, California's major revenue agency responsible for the administration of 25 State and local tax programs including State and local sales and use taxes, motor vehicle fuels license taxes, and the cigarette tax. In my capacity as chairman, I also serve as one of a three member Franchise Tax Board, the revenue agency responsible for administering the personal income tax and bank and corporation tax. I have been involved in State tax issues for 26 years, have participated in numerous tax organizations, and am a past-president of the Federation of Tax Administrators.

The development of Internet technology, which is in the forefront of the electronic information revolution, will be a critical part of our nation's economy in the next century. Consequently, the Board of Equalization recognizes first-hand how unwarranted taxation of the Internet would stifle the growth of this dynamic industry. The State has established a policy not to impose special taxes on the Internet. The Internet Tax Freedom Act will apply these same principles to all States and localities by imposing a moratorium on State and local taxation to provide time for the industry, government officials and tax experts to thoughtfully examine and develop appropriate approaches for taxing Internet-related activities.

California is the most populous State in the nation and as such, has a large and varied range of taxes imposed by various levels of government on numerous types of transactions. We are fully cognizant of the potential for Internet providers and users to become bewildered by their tax obligations and hope to convince officials in other States and localities of the merits of the "hands-off" policy adopted by California which is at the heart of this proposed legislation. In particular, the Internet is recognized as a valuable medium for the home-bound, disabled and elderly to have access to information and resources previously difficult for them to obtain and tax complexity should not deter this positive benefit of the Internet.

I am confident that the Internet Tax Freedom Act's Federally-imposed hiatus will create a unified and concerted effort ultimately leading to a fair solution for States and localities, the Internet industry and their customers. The dramatic growth in the Internet industry requires that action on this legislation should occur sooner rather than later. For this reason, I urge the Subcommittee to act swiftly to report this measure to the full Committee.